

**COMMUNITY AND FAMILY RESOURCES  
AND THE RICHMOND CENTER**

**INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS  
June 30, 2016**

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## **BOARD OF DIRECTORS**

| <b>NAME</b>          | <b>POSITION</b> |
|----------------------|-----------------|
| <b>Board Members</b> |                 |
| Jim Gill             | President       |
| Doug Bailey          | Vice President  |
| Carl Bergstrom       | Treasurer       |
| Clark Fletcher       | Secretary       |
| Lauris Olson         | Member          |
| Mike Cooper          | Member          |
| Bill Lusher          | Member          |
| Bruce Reimers        | Member          |
| Louis Stauter        | Member          |
| Patrick Tate         | Member          |
| Stan Watne           | Member          |

## **Organization Officials**

|                   |                    |
|-------------------|--------------------|
| Michelle DeLaRiva | Executive Director |
| Pam Barkley       | Controller         |



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Community and Family Resources  
and The Richmond Center  
Fort Dodge, Iowa

**Report on the Financial Statements**

We have audited the accompanying combined statement of financial position of Community and Family Resources and The Richmond Center as of June 30, 2016, and the related statements of activities, functional expenses and cash flows and the notes to combined financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted accounting standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinions

In our opinion, the combined financial statements referred to on the previous page present fairly, in all material respects, the respective combined financial position of Community and Family Resources and The Richmond Center as of June 30, 2016, and the changes in its net assets and its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. *Code of Federal Regulations*, Page 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the combined basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined basic financial statements or to the combined basic financial statements themselves, and other additional procedures in accordance with U. S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the combined basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016 on our consideration of Community and Family Resources and The Richmond Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community and Family Resources and The Richmond Center's internal control over financial reporting and compliance.

*Schnur & Company, LLP*

Fort Dodge, Iowa  
October 25, 2016

**COMMUNITY AND FAMILY RESOURCES  
AND THE RICHMOND CENTER**

**Exhibit A**

**COMBINED STATEMENT OF FINANCIAL POSITION  
June 30, 2016**

|   |                            |
|---|----------------------------|
| <b>ASSETS</b>                           |                            |
| Current Assets:                         |                            |
| Cash                                    | \$ 1,895,910               |
| Accounts receivable, net                | 1,283,051                  |
| Prepaid expenses                        | 47,393                     |
| <b>Total current assets</b>             | <u>3,226,354</u>           |
| Investment in IBHN                      | <u>150,000</u>             |
| Property and Equipment:                 |                            |
| Land                                    | 359,781                    |
| Buildings                               | 1,504,907                  |
| Equipment                               | 1,500,446                  |
| Vehicles                                | 238,592                    |
|   | <u>3,603,726</u>           |
| Less accumulated depreciation           | <u>2,242,986</u>           |
|   | <u>1,360,740</u>           |
| <b>Total assets</b>                     | <u><u>\$ 4,737,094</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>       |                            |
| Current Liabilities:                    |                            |
| Accounts payable                        | \$ 72,778                  |
| Accrued salaries                        | 33,907                     |
| Accrued paid time off                   | 78,202                     |
| Accrued payroll taxes and benefits      | 46,507                     |
| Accrued expenses                        | 2,843                      |
| <b>Total current liabilities</b>        | <u>234,237</u>             |
| Net Assets:                             |                            |
| Unrestricted:                           |                            |
| Undesignated                            | 3,486,830                  |
| Board designated                        | 1,000,000                  |
|   | <u>4,486,830</u>           |
| Temporarily restricted                  | 16,027                     |
| <b>Total net assets</b>                 | <u>4,502,857</u>           |
| <b>Total liabilities and net assets</b> | <u><u>\$ 4,737,094</u></u> |

See Notes to Combined Financial Statements.



**COMMUNITY AND FAMILY RESOURCES  
AND THE RICHMOND CENTER**

**Exhibit B**

**COMBINED STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016**

|                                       | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Total</b>        |
|---------------------------------------|---------------------|-----------------------------------|---------------------|
| Revenue and Support:                  |                     |                                   |                     |
| Federal and state grants              | \$ 2,504,322        | \$ -                              | \$ 2,504,322        |
| Medicaid                              | 2,022,649           | -                                 | 2,022,649           |
| County contributions                  | 149,244             | -                                 | 149,244             |
| City contributions                    | 7,458               | -                                 | 7,458               |
| Other contributions                   | 16,745              | -                                 | 16,745              |
| Client private pay                    | 262,804             | -                                 | 262,804             |
| Client third-party pay                | 1,061,497           | -                                 | 1,061,497           |
| OWI                                   | 49,772              | -                                 | 49,772              |
| Evaluations                           | 24,938              | -                                 | 24,938              |
| Miscellaneous                         | 49,235              | -                                 | 49,235              |
| Interest                              | 2,015               | -                                 | 2,015               |
| Contributed facilities and services   | 10,939              | -                                 | 10,939              |
|                                       | <u>6,161,618</u>    | <u>-</u>                          | <u>6,161,618</u>    |
| Net Assets Released from Restrictions | 42                  | (42)                              | -                   |
| <b>Total revenue and support</b>      | <u>6,161,660</u>    | <u>(42)</u>                       | <u>6,161,618</u>    |
| Expenditures:                         |                     |                                   |                     |
| General and administrative            | 1,114,841           | -                                 | 1,114,841           |
| Residential                           | 1,221,630           | -                                 | 1,221,630           |
| Special programs                      | 542,218             | -                                 | 542,218             |
| Outpatient                            | 1,118,333           | -                                 | 1,118,333           |
| Psychiatry                            | 326,604             | -                                 | 326,604             |
| Therapy                               | 401,304             | -                                 | 401,304             |
| Prevention                            | 226,042             | -                                 | 226,042             |
| <b>Total expenditures</b>             | <u>4,950,972</u>    | <u>-</u>                          | <u>4,950,972</u>    |
| <b>Increase in net assets</b>         | <u>1,210,688</u>    | <u>(42)</u>                       | <u>1,210,646</u>    |
| Net assets at beginning of year       | <u>3,276,142</u>    | <u>16,069</u>                     | <u>3,292,211</u>    |
| Net assets at end of year             | <u>\$ 4,486,830</u> | <u>\$ 16,027</u>                  | <u>\$ 4,502,857</u> |

See Notes to Combined Financial Statements.



**COMMUNITY AND FAMILY RESOURCES  
AND THE RICHMOND CENTER**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2016**

|  |   | <b>Residential</b>                         |  |
|--|---|--|--|
|  | <b>General and<br/>Adminis-<br/>trative</b> | <b>Adult<br/>Residential<br/>and Detox</b> | <b>Recovery<br/>and<br/>Transition<br/>House</b> |
| Operating Expenses:                      |   |  |  |
| Salary                                   | \$ 542,918                                  | \$ 640,679                                 | \$ 33,995  |
| FICA/Medicare                            | 52,844                                      | 60,874                                     | 2,816  |
| Workers' compensation                    | 13,362                                      | 15,383                                     | 712  |
| Unemployment                             | 10,755                                      | 12,037                                     | 564  |
| Health insurance                         | 51,935                                      | 52,108                                     | 2,413  |
| IPERS                                    | 58,914                                      | 67,892                                     | 3,153  |
| Dues, fees and memberships               | 10,446                                      | 75   | -  |
| Subscriptions/publications               | (300)                                       | 224  | -  |
| Food/groceries                           | -   | 129,423                                    | 10,307   |
| Medical supplies                         | (29)  | 6,037                                      | 48   |
| Program supplies                         | 2,545                                       | 10,598                                     | 5,212  |
| Office supplies                          | 1,922                                       | 4,818                                      | 69   |
| Operating supplies/non-food              | 2,109                                       | 22,157                                     | 3,882  |
| Recreational                             | -   | -  | -  |
| Postage                                  | 6,954                                       | 1,451                                      | 11   |
| Meetings                                 | 23  | -  | -  |
| Advertising/promotional items            | 14,092                                      | (85)                                       | -  |
| Depreciation                             | 49,241                                      | 6,731                                      | 1,816  |
| Computer hardware, software, maintenance | 67,342                                      | 79   | -  |
| Building repairs/maintenance             | -   | 13,795                                     | 2,164  |
| Office repairs/maintenance               | 527   | 4,214                                      | -  |
| Office/space rental                      | -   | -  | -  |
| Utilities                                | 4,106                                       | 25,781                                     | 12,831   |
| Telephone                                | 21,080                                      | 19,371                                     | 19,217   |
| Insurance                                | 45,348                                      | -  | -  |
| Property tax                             | -   | -  | -  |
| Contracted services                      | 67,749                                      | 17,609                                     | -  |
| Recruiting expenses                      | 11,668                                      | 1,142                                      | -  |
| In-state travel                          | 5,746                                       | 467  | -  |
| Out-of-state travel                      | 422   | -  | -  |
| Staff development training               | 20,595                                      | 1,855                                      | 701  |
| Tuition reimbursement                    | -   | -  | -  |
| Meals                                    | 275   | 63   | 28   |
| Vehicle expense                          | (9,869)                                     | 5,874                                      | 69   |
| Lodging and other travel costs           | 1,827                                       | 45   | 78   |
| Board expense                            | 1,168                                       | -  | -  |
| Interest allocation                      | -   | -  | -  |
| In-kind                                  | -   | -  | -  |
| Miscellaneous expense                    | 3,182                                       | 847  | -  |
|  | <u>\$ 1,058,897</u>                         | <u>\$ 1,121,544</u>                        | <u>\$ 100,086</u>                                |

See Notes to Combined Financial Statements.

| Special Programs                        |  |            | Community and Family Resources |            |              |               |            |           |           |            |           |                                 | The Richmond Center |              |       |  |  |
|---|--|------------|--------------------------------|------------|--------------|---------------|------------|-----------|-----------|------------|-----------|---------------------------------|---------------------|--------------|-------|--|--|
| STARS Program<br>(Adolescent Treatment) | Gambling<br>(Treatment, Education and Housing) | Outpatient |                                |            |              |               |            |           |           |            |           | General and Adminis-<br>trative | Psychiatry          | Therapy      | Total |  |  |
|   |  | Fort Dodge | Ames                           | Boone      | Webster City | Rockwell City | Pocahontas | Humboldt  | Clarion   | Prevention |           |                                 |                     |              |       |  |  |
| \$ 344,662                              | \$ 44,682                                      | \$ 281,975 | \$ 159,526                     | \$ 57,054  | \$ 45,563    | \$ 11,010     | \$ 10,616  | \$ 9,069  | \$ 16,531 | \$ 132,760 | \$ 3,335  | \$ 164,775                      | \$ 256,887          | \$ 2,756,037 |       |  |  |
| 7,044                                   | 1,155  | 22,212     | 15,452                         | 5,404      | 4,603        | 1,052         | 1,009      | 863       | 1,612     | 6,470      | 14,002    | 5,288                           | 13,901              | 216,601      |       |  |  |
| 1,773                                   | 292  | 5,621      | 3,901                          | 1,369      | 1,162        | 266           | 255        | 218       | 407       | 1,638      | 102       | 3,447                           | 5,341               | 55,249       |       |  |  |
| 1,163                                   | 225  | 4,524      | 3,006                          | 1,124      | 918          | 212           | 204        | 174       | 324       | 1,348      | 70        | 2,390                           | 3,704               | 42,742       |       |  |  |
| 4,964                                   | 877  | 18,955     | 13,317                         | 4,683      | 3,975        | 907           | 871        | 740       | 1,388     | 5,547      | 298       | 10,132                          | 15,705              | 188,815      |       |  |  |
| 8,090                                   | 1,338  | 24,752     | 17,318                         | 6,080      | 5,143        | 1,175         | 1,127      | 963       | 1,798     | 7,355      | 433       | 14,695                          | 22,777              | 243,003      |       |  |  |
| -                                       | 10   | 75         | 90                             | 260        | -            | -             | -          | -         | -         | 235        | 15        | 457                             | -                   | 11,663       |       |  |  |
| -                                       | -  | 260        | 146                            | -          | 189          | -             | -          | -         | -         | 450        | -         | 49                              | 97                  | 1,115        |       |  |  |
| 21,286                                  | -  | 154        | -                              | -          | -            | -             | -          | -         | -         | -          | -         | -                               | -                   | 161,170      |       |  |  |
| 311                                     | -  | 41         | 41                             | 71         | -            | -             | -          | -         | -         | -          | -         | 163                             | 89                  | 6,772        |       |  |  |
| 3,961                                   | 793  | 14,702     | 9,576                          | 1,620      | 1,327        | -             | 150        | -         | 418       | 11,028     | -         | -                               | 32                  | 61,962       |       |  |  |
| 719                                     | 223  | 2,501      | 1,123                          | 640        | 572          | 13            | 71         | 15        | 35        | 1,108      | -         | 564                             | 1,702               | 16,095       |       |  |  |
| 5,240                                   | 4,623  | 1,778      | 2,030                          | 725        | 113          | 1             | 1          | 1         | 2         | 12,730     | -         | 294                             | 889                 | 56,575       |       |  |  |
| 926                                     | -  | -          | -                              | -          | -            | -             | -          | -         | -         | -          | -         | -                               | -                   | 926          |       |  |  |
| 146                                     | -  | 238        | 1,087                          | 515        | 423          | 11            | 4          | 4         | 13        | 32         | -         | 484                             | 623                 | 11,996       |       |  |  |
| -                                       | 38   | -          | -                              | -          | -            | -             | -          | -         | -         | 156        | -         | -                               | -                   | 217          |       |  |  |
| -                                       | 10,113   | -          | -                              | 795        | -            | -             | -          | -         | -         | 326        | -         | 373                             | 1,332               | 26,946       |       |  |  |
| -                                       | -  | 216        | 3,708                          | -          | -            | -             | -          | -         | -         | -          | -         | 5,616                           | 5,615               | 72,943       |       |  |  |
| -                                       | -  | 1,200      | 125                            | -          | -            | -             | -          | -         | -         | -          | -         | 42                              | 83                  | 68,871       |       |  |  |
| 5,318                                   | -  | 4,750      | 8,010                          | 334        | 98           | -             | -          | 153       | -         | -          | -         | 2,552                           | 5,447               | 42,621       |       |  |  |
| 1,999                                   | 498  | 2,599      | 4,347                          | 1,401      | 3,685        | -             | -          | -         | -         | 1,619      | -         | 1,295                           | 3,070               | 25,254       |       |  |  |
| 16,068                                  | 3,390  | 45,540     | -                              | 7,075      | 7,989        | 2,027         | 1,500      | 4,140     | 4,000     | 11,030     | -         | 2,000                           | 11,075              | 115,834      |       |  |  |
| 12,593                                  | 359  | 12,352     | 10,340                         | 1,054      | 681          | 76            | 1          | 25        | 1,356     | 1,085      | -         | 3,671                           | 8,030               | 94,341       |       |  |  |
| 10,517                                  | 2,370  | 18,404     | 56,897                         | 10,883     | 5,466        | 5,973         | 8,707      | 8,707     | 6,278     | 10,219     | -         | 16,521                          | 39,769              | 260,379      |       |  |  |
| 2,748                                   | -  | -          | -                              | -          | -            | -             | -          | -         | -         | -          | 18,048    | -                               | -                   | 66,144       |       |  |  |
| -                                       | -  | 11,235     | -                              | -          | -            | -             | -          | -         | -         | -          | -         | -                               | -                   | 11,235       |       |  |  |
| 7,722                                   | 80   | 7,614      | 1,787                          | 2,651      | 406          | -             | -          | -         | -         | 800        | 18,519    | 89,635                          | 2,603               | 217,175      |       |  |  |
| 526                                     | -  | 218        | 1,250                          | -          | 13           | -             | -          | -         | -         | 38         | -         | 111                             | 871                 | 15,837       |       |  |  |
| 225                                     | 7,195  | 2,987      | 3,459                          | 1,900      | 84           | 1,009         | 1,377      | 14        | 125       | 11,154     | -         | 1,987                           | 857                 | 38,586       |       |  |  |
| -                                       | -  | -          | -                              | -          | -            | -             | -          | -         | -         | 489        | -         | -                               | -                   | 911          |       |  |  |
| 1,776                                   | 100  | 1,608      | 1,210                          | 40         | 101          | 76            | 18         | 56        | 68        | 3,174      | 250       | -                               | 805                 | 32,433       |       |  |  |
| 2,000                                   | -  | -          | -                              | -          | -            | -             | -          | -         | -         | -          | -         | -                               | -                   | 2,000        |       |  |  |
| 24                                      | 37   | 48         | 12                             | 48         | -            | -             | -          | -         | -         | 838        | -         | -                               | -                   | 1,373        |       |  |  |
| 2,019                                   | -  | 443        | 610                            | 141        | 106          | 26            | 25         | 21        | 38        | 98         | -         | -                               | -                   | (399)        |       |  |  |
| -                                       | -  | 116        | -                              | -          | -            | 3             | 3          | 3         | 3         | 2,122      | -         | -                               | -                   | 4,200        |       |  |  |
| -                                       | -  | -          | -                              | -          | -            | -             | -          | -         | -         | -          | -         | -                               | -                   | 1,168        |       |  |  |
| -                                       | -  | -          | -                              | -          | -            | -             | -          | -         | -         | -          | -         | -                               | -                   | -            |       |  |  |
| -                                       | -  | -          | -                              | -          | -            | -             | 5,158      | -         | 3,589     | 2,192      | -         | -                               | -                   | 10,939       |       |  |  |
| -                                       | -  | 1,288      | 4,753                          | 236        | 1            | -             | -          | -         | -         | 1          | 872       | 63                              | -                   | 11,243       |       |  |  |
| \$ 463,820                              | \$ 78,398                                      | \$ 488,406 | \$ 323,121                     | \$ 106,103 | \$ 82,618    | \$ 23,837     | \$ 31,097  | \$ 25,166 | \$ 37,985 | \$ 226,042 | \$ 55,944 | \$ 326,604                      | \$ 401,304          | \$ 4,950,972 |       |  |  |

COMMUNITY AND FAMILY RESOURCES  
AND THE RICHMOND CENTER

Exhibit D

COMBINED STATEMENT OF CASH FLOWS  
Year Ended June 30, 2016

|   |                            |
|---|----------------------------|
| Cash Flows from Operating Activities  |                            |
| Increase in net assets  | \$ 1,210,646               |
| Adjustment to reconcile increase in net assets to<br>net cash provided by operating activities: |                            |
| Depreciation  | 72,944                     |
| Effect of changes in:   |                            |
| Accounts receivable   | (818,825)                  |
| Prepaid expenses  | (29,534)                   |
| Accounts payable  | 33,814                     |
| Accrued salaries  | (77,163)                   |
| Accrued paid time off   | 2,092                      |
| Accrued payroll taxes and benefits  | 23,488                     |
| Accrued expenses  | (1,821)                    |
| <b>Net cash provided by operating activities</b>  | <u>415,641</u>             |
| Cash Flows from Investing Activities  |                            |
| Purchase of property and equipment  | <u>(190,463)</u>           |
| <b>Net cash (used in) investing activities</b>  | <u>(190,463)</u>           |
| <b>Net increase in cash</b>   | 225,178                    |
| Cash:   |                            |
| Beginning   | <u>1,670,732</u>           |
| Ending  | <u><u>\$ 1,895,910</u></u> |

See Notes to Combined Financial Statements.

## COMMUNITY AND FAMILY RESOURCES AND THE RICHMOND CENTER

### NOTES TO COMBINED FINANCIAL STATEMENTS

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#### **Note 1. Nature of Activities and Significant Accounting Policies**

**Nature of activities:** Community and Family Resources is a nonprofit corporation that was established in 1968. The purpose of the Organization is to increase understanding, to alleviate the damage, and to reduce the incidence of alcoholism. The Organization operates treatment facilities in northwestern and central Iowa offering outpatient, residential, and detoxification services to persons experiencing problems in living due to alcoholism and other chemical dependencies. Community and Family Resources is funded by federal, state, county, and local governments as well as private payments from patients.

The Richmond Center is a non-profit corporation providing mental health services that include outpatient mental health psychiatric services for the residents of Story and Boone counties.

The financial statements combine Community and Family Resources and The Richmond Center (collectively the "Organization"), which share the same Board of Directors. In addition, The Richmond Center is financially dependent on Community and Family Resources.

#### **Significant accounting policies:**

A summary of the Organization's significant accounting policies is as follows:

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of combination: The accompanying combined financial statements include the accounts of Community and Family Resources and The Richmond Center. All material related party balances and transactions have been eliminated in combination.

Contributions and donor restricted funds: The Organization reports gifts of cash and other assets as unrestricted, temporarily restricted or permanently restricted net assets depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All expenses are reported as decreases in unrestricted net assets. Contributions not restricted by donors are recorded as revenue in the unrestricted fund.

Accounts receivable: Accounts receivable, with the exception of private client pay, are recorded on the accrual basis of accounting. Private client pay is recognized as income in the period in which it is received due to the uncertainty of collection. The Organization uses the allowance method of recording bad debts. The allowance for bad debts is \$238,087 at June 30, 2016.

## NOTES TO COMBINED FINANCIAL STATEMENTS

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### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

#### Significant accounting policies (continued):

Investments: The Organization has an 18.9% investment in the Iowa Behavioral Health Network. The Organization accounts for this investment by the cost method since the investment is unlisted and the criteria for using the equity method of accounting are not satisfied.

Property and equipment: Expenditures for the acquisition of property and equipment over \$5,000 are capitalized at cost. The fair value of donated furniture and equipment is similarly capitalized. Depreciation is computed using the straight-line method based on the following useful lives:

|           | <u>Years</u> |
|-----------|--------------|
| Buildings | 5-39         |
| Equipment | 5-20         |
| Vehicles  | 5            |

Contributed facilities and services: A large number of volunteers have given significant amounts of their time to the Organization's programs; however, no amounts have been recognized in the financial statements for volunteer time since no objective basis is available to measure the value of such services.

Advertising costs: Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2016 was \$26,946.

Income taxes: Both Organizations are non-profit corporations exempt from income taxes under § 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been made in the financial statements.

Subsequent events: Subsequent events have been evaluated through October 25, 2016, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

## NOTES TO COMBINED FINANCIAL STATEMENTS

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### **Note 2. Leases**

The Organization leases office space for outpatient facilities in several cities in Central Iowa under noncancelable operating leases, which expire on various dates between August, 2016 and February, 2019. Several leases are cancelable should government funding no longer be available.

The Organization leases office equipment under a noncancelable operating lease agreement. The lease expires in June, 2020.

Total future minimum rental commitment by year as of June 30, 2016 follows:

| <b>Year ending June 30,</b> |                   |
|-----------------------------|-------------------|
| 2017                        | \$ 102,273        |
| 2018                        | 90,697            |
| 2019                        | 32,262            |
| 2020                        | 5,941             |
| 2021                        | -                 |
|                             | <u>\$ 231,173</u> |

Total rent expense for the year ended June 30, 2016 was \$121,775.

### **Note 3. Support From Governmental Units**

The Organization receives a substantial amount of its support from the federal government and the State of Iowa. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities.

### **Note 4. Risk Management**

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

## NOTES TO COMBINED FINANCIAL STATEMENTS

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### **Note 5. Pension and Retirement Benefits**

Plan Description - IPERS membership is mandatory for employees of the Organization, except for those covered by another retirement system. Employees of the Organization are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

## NOTES TO COMBINED FINANCIAL STATEMENTS

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### **Note 5. Pension and Retirement Benefits (Continued)**

Contributions –Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, regular members contributed 5.95% of covered payroll and the Organization contributed 8.93% of covered payroll for a total rate of 14.88%.

The Organization’s contribution to IPERS for the year ended June 30, 2016 was \$243,003. Based upon the June 30, 2015 IPERS report, the most recent report that information is available, the Organization’s proportionate share of plan contributions was .034639 percent.

IPERS Fiduciary Net Position – Detailed information about IPERS’ fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

### **Note 6. Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and activities benefited.

### **Note 7. Restricted Net Assets and Assets Released from Restrictions**

Temporarily restricted net assets at June 30, 2016 are available for the following purposes:

|                                    |                  |
|------------------------------------|------------------|
| Special needs programs for clients | <u>\$ 16,027</u> |
|------------------------------------|------------------|

At June 30, 2016, temporarily restricted net assets consisted of cash.



## NOTES TO COMBINED FINANCIAL STATEMENTS

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### **Note 8. Concentration of Credit Risk**

The Organization maintains its cash accounts with banks located in Iowa. The total cash balance is insured by the FDIC up to \$250,000 per bank. The Organization had a cash balance on deposit with one Iowa bank at June 30, 2016 that exceeded the balance insured by the FDIC in the amount of \$95,742.

### **Note 9. Board Designated Restrictions**

The Organization has designated funds within the unrestricted net assets class. The purpose of these designations follows:

Fort Dodge Building Project – This fund was established to designate money for the future construction of a new facility in Fort Dodge. The amount is monitored annually by the Board.

## **SUPPLEMENTARY INFORMATION**



**COMMUNITY AND FAMILY RESOURCES  
AND THE RICHMOND CENTER**

**Schedule 1**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2016**

| <b>Federal Grantor/Pass-Through Grantor<br/>Program Title</b> | <b>CFDA<br/>Number</b> | <b>Contract<br/>Number</b> | <b>Expenditures</b> |
|---|------------------------|----------------------------|---------------------|
| Department of Health and Human Services:                      |                        |                            |                     |
| Iowa Department of Public Health:                             |                        |                            |                     |
| Comprehensive Substance Abuse Prevention                      | 93.959                 | 5885CP15                   | \$ 258,751          |
| Access to Recovery  | 93.275                 | 5885AC25                   | 50,062              |
| Iowa Recovery Health Information Technology                   | 93.243                 | 5885SA22                   | 1,200               |
| Iowa Partnerships for Success                                 | 93.243                 | 5886IP32                   | 58,509              |
| Suicide Screening in Substance<br>Abuse Treatment Centers     | 93.243                 | 5886SM33                   | 17,500              |
|   |                        |                            | <u>77,209</u>       |
| Magellan Health Services:                                     |                        |                            |                     |
| Substance Abuse Prevention and Treatment<br>Block Grant       | 93.959                 |                            | 316,367             |
| Amerigroup Iowa, Inc.:  |                        |                            |                     |
| Substance Abuse Prevention and Treatment<br>Block Grant       | 93.959                 |                            | 181,118             |
|   |                        |                            | <u>\$ 883,507</u>   |

**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Community and Family Resources and The Richmond Center under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Community and Family Resources and The Richmond Center, it is not intended to and does not present the financial position, changes in financial position or cash flows of Community and Family Resources and The Richmond Center.

**Summary of Significant Accounting Policies** – Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Community and Family Resources and The Richmond Center has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying Independent Auditor's Report.

**COMMUNITY AND FAMILY RESOURCES  
AND THE RICHMOND CENTER**

**COMBINING SCHEDULE OF STATEMENT OF FINANCIAL POSITION**

**June 30, 2016**

|   | <b>Community<br/>and Family<br/>Resources</b> | <b>The<br/>Richmond<br/>Center</b> | <b>Sub-total</b>    |
|---|---|------------------------------------|---------------------|
| <b>ASSETS</b>                           |   |                                    |                     |
| Current Assets:                         |   |                                    |                     |
| Cash                                    | \$ 1,625,015                                  | \$ 270,895                         | \$ 1,895,910        |
| Accounts receivable, net                | 3,238,343                                     | 307,527                            | 3,545,870           |
| Prepaid expenses                        | 46,134  | 1,259                              | 47,393              |
| <b>Total current assets</b>             | <b>4,909,492</b>                              | <b>579,681</b>                     | <b>5,489,173</b>    |
| Investment in IBHN                      | 150,000                                       | -                                  | 150,000             |
| Property and Equipment:                 |   |                                    |                     |
| Land                                    | 359,781                                       | -                                  | 359,781             |
| Buildings                               | 1,336,575                                     | 168,332                            | 1,504,907           |
| Equipment                               | 1,249,883                                     | 250,563                            | 1,500,446           |
| Vehicles                                | 238,592                                       | -                                  | 238,592             |
|   | 3,184,831                                     | 418,895                            | 3,603,726           |
| Less accumulated depreciation           | 1,962,523                                     | 280,463                            | 2,242,986           |
|   | 1,222,308                                     | 138,432                            | 1,360,740           |
| <b>Total assets</b>                     | <b>\$ 6,281,800</b>                           | <b>\$ 718,113</b>                  | <b>\$ 6,999,913</b> |
| <b>LIABILITIES AND NET ASSETS</b>       |   |                                    |                     |
| Current Liabilities:                    |   |                                    |                     |
| Accounts payable                        | \$ 68,968                                     | \$ 2,266,629                       | \$ 2,335,597        |
| Accrued salaries                        | 28,048  | 5,859                              | 33,907              |
| Accrued paid time off                   | 71,817  | 6,385                              | 78,202              |
| Accrued payroll taxes and benefits      | 46,507  | -                                  | 46,507              |
| Accrued expenses                        | 2,843   | -                                  | 2,843               |
| <b>Total current liabilities</b>        | <b>218,183</b>                                | <b>2,278,873</b>                   | <b>2,497,056</b>    |
| Net Assets:                             |   |                                    |                     |
| Unrestricted:                           |   |                                    |                     |
| Undesignated                            | 5,060,618                                     | (1,573,788)                        | 3,486,830           |
| Board designated                        | 1,000,000                                     | -                                  | 1,000,000           |
|   | 6,060,618                                     | (1,573,788)                        | 4,486,830           |
| Temporarily restricted                  | 2,999   | 13,028                             | 16,027              |
| <b>Total net assets</b>                 | <b>6,063,617</b>                              | <b>(1,560,760)</b>                 | <b>4,502,857</b>    |
| <b>Total liabilities and net assets</b> | <b>\$ 6,281,800</b>                           | <b>\$ 718,113</b>                  | <b>\$ 6,999,913</b> |

See accompanying Independent Auditor's Report.

**Schedule 2**

| <b>Eliminations</b> | <b>Total</b> |
|---------------------|--------------|
| \$ -                | \$ 1,895,910 |
| (2,262,819)         | 1,283,051    |
| -                   | 47,393       |
| (2,262,819)         | 3,226,354    |
| -                   | 150,000      |
| -                   | 359,781      |
| -                   | 1,504,907    |
| -                   | 1,500,446    |
| -                   | 238,592      |
| -                   | 3,603,726    |
| -                   | 2,242,986    |
| -                   | 1,360,740    |
| \$ (2,262,819)      | \$ 4,737,094 |

|                |              |
|----------------|--------------|
| \$ (2,262,819) | \$ 72,778    |
| -              | 33,907       |
| -              | 78,202       |
| -              | 46,507       |
| -              | 2,843        |
| (2,262,819)    | 234,237      |
| -              | 3,486,830    |
| -              | 1,000,000    |
| -              | 4,486,830    |
| -              | 16,027       |
| -              | 4,502,857    |
| \$ (2,262,819) | \$ 4,737,094 |

**COMMUNITY AND FAMILY RESOURCES  
AND THE RICHMOND CENTER**

**COMBINING SCHEDULE OF STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016**

|                                     | <b>Community<br/>and Family<br/>Resources</b> | <b>The<br/>Richmond<br/>Center</b> | <b>Sub-total</b>    |
|-------------------------------------|---|------------------------------------|---------------------|
| Revenue and Support:                |   |                                    |                     |
| Federal and state grants            | \$ 2,504,322                                  | \$ -                               | \$ 2,504,322        |
| Medicaid                            | 1,399,152                                     | 623,497                            | 2,022,649           |
| County contributions                | 148,598                                       | 646                                | 149,244             |
| City contributions                  | 7,214   | 244                                | 7,458               |
| Other contributions                 | 11,599  | 5,146                              | 16,745              |
| Client private pay                  | 219,012                                       | 43,792                             | 262,804             |
| Client third-party pay              | 909,497                                       | 152,000                            | 1,061,497           |
| OWI                                 | 49,772  | -                                  | 49,772              |
| Evaluations                         | 24,938  | -                                  | 24,938              |
| Miscellaneous                       | 44,831  | 4,404                              | 49,235              |
| Interest                            | 1,910   | 105                                | 2,015               |
| Contributed facilities and services | 10,939  | -                                  | 10,939              |
| <b>Total revenue and support</b>    | <b>5,331,784</b>                              | <b>829,834</b>                     | <b>6,161,618</b>    |
| Expenditures:                       |   |                                    |                     |
| General and administrative          | 1,058,897                                     | 55,944                             | 1,114,841           |
| Residential                         | 1,221,630                                     | -                                  | 1,221,630           |
| Special programs                    | 542,218                                       | -                                  | 542,218             |
| Outpatient                          | 1,118,333                                     | -                                  | 1,118,333           |
| Psychiatry                          | -   | 326,604                            | 326,604             |
| Therapy                             | -   | 401,304                            | 401,304             |
| Prevention                          | 226,042                                       | -                                  | 226,042             |
| <b>Total expenditures</b>           | <b>4,167,120</b>                              | <b>783,852</b>                     | <b>4,950,972</b>    |
| <b>Increase in net assets</b>       | <b>1,164,664</b>                              | <b>45,982</b>                      | <b>1,210,646</b>    |
| Net assets at beginning of year     | 4,898,953                                     | (1,606,742)                        | 3,292,211           |
| Net assets at end of year           | <u>\$ 6,063,617</u>                           | <u>\$ (1,560,760)</u>              | <u>\$ 4,502,857</u> |

See accompanying Independent Auditor's Report.

**Schedule 3**

| <b>Eliminations</b> |   | <b>Total</b> |           |
|---------------------|---|--------------|-----------|
| \$                  | - | \$           | 2,504,322 |
|                     | - |              | 2,022,649 |
|                     | - |              | 149,244   |
|                     | - |              | 7,458     |
|                     | - |              | 16,745    |
|                     | - |              | 262,804   |
|                     | - |              | 1,061,497 |
|                     | - |              | 49,772    |
|                     | - |              | 24,938    |
|                     | - |              | 49,235    |
|                     | - |              | 2,015     |
|                     | - |              | 10,939    |
|                     | - |              | 6,161,618 |
|                     | - |              | 1,114,841 |
|                     | - |              | 1,221,630 |
|                     | - |              | 542,218   |
|                     | - |              | 1,118,333 |
|                     | - |              | 326,604   |
|                     | - |              | 401,304   |
|                     | - |              | 226,042   |
|                     | - |              | 4,950,972 |
|                     | - |              | 1,210,646 |
|                     | - |              | 3,292,211 |
| \$                  | - | \$           | 4,502,857 |



**COMMUNITY AND FAMILY RESOURCES  
AND THE RICHMOND CENTER**

**COMBINING SCHEDULE OF STATEMENT OF CASH FLOWS  
Year Ended June 30, 2016**

|   | <b>Community<br/>and Family<br/>Resources</b> | <b>The<br/>Richmond<br/>Center</b> | <b>Sub-total</b>    |
|---|---|------------------------------------|---------------------|
| Cash Flows from Operating Activities  |   |                                    |                     |
| Increase in net assets  | \$ 1,164,664                                  | \$ 45,982                          | \$ 1,210,646        |
| Adjustment to reconcile increase in net assets<br>to net cash provided by operating activities: |   |                                    |                     |
| Depreciation  | 61,713  | 11,231                             | 72,944              |
| Effect of changes in:   |   |                                    |                     |
| Accounts receivable   | (870,514)                                     | (170,858)                          | (1,041,372)         |
| Prepaid expenses  | (29,040)                                      | (494)                              | (29,534)            |
| Accounts payable  | 32,770  | 223,591                            | 256,361             |
| Accrued salaries  | (69,678)                                      | (7,485)                            | (77,163)            |
| Accrued paid time off   | 3,482   | (1,390)                            | 2,092               |
| Accrued payroll taxes and benefits  | 23,488  | -                                  | 23,488              |
| Accrued expenses  | (1,821)                                       | -                                  | (1,821)             |
| <b>Net cash provided by operating activities</b>  | <b>315,064</b>                                | <b>100,577</b>                     | <b>415,641</b>      |
| Cash Flows from Investing Activities:   |   |                                    |                     |
| Purchase of property and equipment  | (190,463)                                     | -                                  | (190,463)           |
| <b>Net cash (used in) investing activities</b>  | <b>(190,463)</b>                              | <b>-</b>                           | <b>(190,463)</b>    |
| <b>Net increase in cash</b>   | <b>124,601</b>                                | <b>100,577</b>                     | <b>225,178</b>      |
| Cash:   |   |                                    |                     |
| Beginning   | 1,500,414                                     | 170,318                            | 1,670,732           |
| Ending  | <u>\$ 1,625,015</u>                           | <u>\$ 270,895</u>                  | <u>\$ 1,895,910</u> |

See accompanying Independent Auditor's Report.

**Schedule 4**

| <b>Eliminations</b> | <b>Total</b> |
|---------------------|--------------|
| \$ -                | \$ 1,210,646 |
| -                   | 72,944       |
| 222,547             | (818,825)    |
| -                   | (29,534)     |
| (222,547)           | 33,814       |
| -                   | (77,163)     |
| -                   | 2,092        |
| -                   | 23,488       |
| -                   | (1,821)      |
| -                   | 415,641      |
| -                   | (190,463)    |
| -                   | (190,463)    |
| -                   | 225,178      |
| -                   | 1,670,732    |
| \$ -                | \$ 1,895,910 |



**COMMUNITY AND FAMILY RESOURCES  
AND THE RICHMOND CENTER**



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF THE COMBINED FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Community and Family Resources  
and The Richmond Center  
Fort Dodge, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Community Family Resources and The Richmond Center (the "Organization"), as of and for the year ended June 30, 2016, and the related notes to combined financial statements, and have issued our report thereon dated October 25, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-16 and II-B-16 to be material weaknesses. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## **Organization's Responses to Findings**

The Organization's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Organization's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Schnur & Company, LLP*

Fort Dodge, Iowa  
October 25, 2016

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**COMMUNITY AND FAMILY RESOURCES  
AND THE RICHMOND CENTER**





**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
Community and Family Resources  
and The Richmond Center  
Fort Dodge, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited Community and Family Resources' and The Richmond Center's (the "Organization") compliance with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2016. The Organization's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

## **Report on Internal Control Over Compliance**

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Schnur & Company, LLP*

Fort Dodge, Iowa  
October 25, 2016

**COMMUNITY AND FAMILY RESOURCES  
AND THE RICHMOND CENTER**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016**

**Part I: Summary of the Independent Auditor's Results:**

- a. An unmodified opinion was issued on the financial statements.
- b. Material weaknesses in internal control over financial reporting was disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance that is material to the financial statements.
- d. No reportable conditions in internal control over major programs were disclosed by the audit of financial statements.
- e. An unmodified opinion was issued on compliance with requirements applicable to the major program.
- f. The audit did not disclose any audit findings that are required to be reported in accordance with Uniform Guidance, Section 200.515.
- g. The major program was CFDA Number 93.959 – Substance Abuse Prevention and Treatment Block Grant.
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. Community and Family Resources and The Richmond Center did not qualify as low-risk auditees.

**Part II: Findings Related to the Financial Statements:**

II-A-16 Financial Reporting – The Organization's billing software and financial software are not integrated packages. Currently, no reconciliation of the carrying value is performed between the two software packages resulting in a subsequent adjustment by the Organization.

Recommendation – The Organization should implement monthly reconciliation procedures.

Response – We will review our procedures and determine the appropriate changes for monthly reconciliation.

Conclusion – Response accepted.

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2016**

**Part II: Findings Related to the Financial Statements (continued):**

II-B-16     Segregation of Duties – The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as preparing, posting and approving general journal entries.

Recommendation – We realize that with a limited number of office employees, segregation of duties with respect to journal entries is difficult. However, the Organization should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

Response – The Organization will continue to review and implement additional controls where possible.

Conclusion – Response accepted.

**Instances of Non-Compliance:**

No matters were reported.

**Part III: Findings and Questioned Costs For Federal Awards:**

**Instances of Non-Compliance:**

No matters were reported.

**Internal Control Deficiencies:**

No matters were reported.

**Part IV: Other Findings Related to Required Statutory Reporting:**

No matters were reported.